

HOUSE FINANCE COMMITTEE  
April 25, 2024  
1:39 p.m.

1:40:22 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:39 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair  
Representative Neal Foster, Co-Chair  
Representative DeLena Johnson, Co-Chair  
Representative Julie Coulombe  
Representative Mike Cronk  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Andy Josephson  
Representative Dan Ortiz  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Akis Gialopsos, Deputy Executive Director, Alaska Housing Finance Corporation; Curtis Thayer, Executive Director, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Representative Tom McKay, Sponsor; Trevor Jepsen, Staff, Representative Tom McKay; Senator Loki Tobin, Sponsor.

PRESENT VIA TELECONFERENCE

Matthew Perkins, CEO, Alaska Renewables, LLC; Bryan Butcher, CEO, Executive Director, Alaska Housing Finance Corporation.

SUMMARY

HB 139 CORRESPONDENCE STUDY PROGRAM FUNDING

HB 139 was SCHEDULED but not HEARD.

HB 154 AK HOUSING FINANCE CORP: SUSTAIN ENERGY

CSHB 154(FIN) was REPORTED out of committee with seven "do pass" recommendations and four "no recommendation" recommendations and with two new fiscal impact notes from the Department of Commerce, Community and Economic Development; one new fiscal impact note from the Department of Revenue; and one new zero impact note from the Department of Administration.

HB 307 INTEGRATED TRANSMISSION SYSTEMS

HB 307 was HEARD and HELD in committee for further consideration.

HB 392 EDUCATION FUNDING

HB 392 was HEARD and HELD in committee for further consideration.

CSSB 52(FIN)

EDU INFO; INCREASE BASE STUDENT ALLOCATION

CSSB 52(FIN) was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb307

HOUSE BILL NO. 307

"An Act relating to the taxation of independent power producers; and increasing the efficiency of integrated transmission system charges and use for the benefit of ratepayers."

[1:40:22 PM](#)

Co-Chair Foster returned to invited testimony from the morning meeting.

MATTHEW PERKINS, CEO, ALASKA RENEWABLES, LLC (via teleconference), shared that Alaska Renewables was an independent power producer (IPP) working on several large power plants in an effort to bring low-cost, reliable energy to the Railbelt. He stated it was hard work, but the company was honored to be working closely with all of the utilities. He stated that renewable energy was the cheapest source of new build power globally. He shared that each of the company's projects would provide approximately 10 percent of the Railbelt's energy needs. For example, one project Chugach Electric was currently studying with Alaska Renewables would displace 3.5 billion cubic feet of gas per year, which equated to 14 percent of the total gas used by the electric utilities. The company agreed with Homer's [Homer Electric] comments on the importance of gas and he noted that one way to make more gas available for other utilities was to enable another utility to use less. He highlighted that the projects could be online faster than it would take to import gas. He remarked that a zero fuel resource like wind, could be installed without any foreign or out of state intervention and engineered to dramatically improve Alaska's energy security. He stated it could be difficult to perfectly quantify the benefits of these policies when applied to the current grid. He relayed that each of the utilities had a fiduciary responsibility to its members to consider impacts on the present system in addition to the future system.

Mr. Perkins stated that the bill's provision, which would eliminate the double tax on IPP power plants, would directly impact the cost of power under negotiation between Alaska Renewables and multiple utilities. The bill contained a property tax exemption for IPPs who sell power to nonprofit electric cooperatives. The company had worked closely with and had the support of municipalities on the issue. He noted "it's half of what's proposed here in [HB] 307." There was also recent language in SB 217, Section 12, which he believed was even cleaner. He stated it was a "no regrets" provision that directly lowered the cost of energy for all Alaskans and clarified the project finance model, which enabled Alaska Renewables to close financing and go into construction. The company strongly supported the immediate passage of the property tax exemption/elimination of the double tax.

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Mr. Perkins shared that Alaska Renewables strongly endorsed tariff elimination between and among the electric co-ops and IPPs. The company mostly agreed with the utilities around the complexity of the issue, but from Alaska Renewables' perspective, it was a matter that created clarity in the commercial landscape. He was available to answer any questions.

Representative Hannan stated one of her concerns with the language around IPPs was that the provision only gave the tax advantage if they were selling to a co-op or municipal utility. She noted that many utilities in Southeast Alaska were investor owned. She asked if it made a difference to Alaska Renewables as an IPP operator if the tax advantage was extended to any regulated utility.

Mr. Perkins answered that it did not. He elaborated that it would lower the cost of electricity for other kinds of consumers and other business models that were beyond Alaska Renewables' focus area. He stated that the idea was fine with him.

Co-Chair Foster asked if Mr. Perkins had concluded his remarks.

Mr. Perkins stated that from the company's perspective, the elimination of the tax and tariffs had major financial consequences for all of Alaska. He encouraged continued focus on the issue. Additionally, he strongly encouraged consideration of what the grid of tomorrow would look like. He relayed that the grid of tomorrow would have more power flow between utilities by its nature. He explained that when the wind was not blowing in one place in the Railbelt, it was certainly blowing somewhere else in the Railbelt. He stated that the shared aggregation of power plants would reduce price distortions among and between utilities and IPPs. He strongly encouraged further work on the issue. He wanted to ensure the property tax piece was passed in the current session.

Co-Chair Foster thanked Mr. Perkins for his testimony.

HB 307 was HEARD and HELD in committee for further consideration.

#hb154

HOUSE BILL NO. 154

"An Act relating to subsidiary corporations of the Alaska Housing Finance Corporation; and establishing the Alaska energy independence fund."

[1:48:17 PM](#)

Co-Chair Foster noted individuals available for questions.

Co-Chair Edgmon MOVED to ADOPT Amendment 1, 33-GH1074\S.7 (Walsh, 4/22/24) (copy on file):

Page 1, line 2:

Delete "establishing the Alaska energy independence fund;"

Page 2, line 1:

Delete "affordable"

Insert "[AFFORDABLE]"

Page 2, following line 16:

Insert a new bill section to read:

"\* Sec. 3. AS 18.56.086 is amended by adding a new subsection to read:

(c) In managing a subsidiary created for the purpose of financing or facilitating the financing of sustainable energy development, the corporation shall consider the state energy policy described in AS 44.99.115 and shall prioritize sustainable energy development that supports energy efficiency and renewable energy for residential buildings, commercial buildings, and community facilities."

Renumber the following bill sections accordingly.

Page 2, line 24, following "state":

Insert nor delivering energy to the state"

Page 2, line 25, through page 4, line 22:

Delete all material.

Renumber the following bill sections accordingly.

Co-Chair Foster OBJECTED for discussion.

Co-Chair Edgmon explained that the amendment would conform HB 154, known as the "green bank bill," with the Senate

version to remove a duplicative provision. He elaborated that HB 154 was built around Alaska Housing Finance Corporation (AHFC) creating a subsidiary company that should be able to work to get federal funding to leverage private sector dollars without the need for the provision the amendment would remove and the need to have a \$20 million fiscal note attached.

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Representative Hannan looked at page 2, line 1 of the amendment and asked about the deletion of the word "affordable."

Co-Chair Edgmon deferred the question to AHFC.

AKIS GIALOPSOS, DEPUTY EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, replied that AHFC thanked Co-Chair Edgmon for introducing the amendment, which would conform the bill to the committee substitute currently under consideration by the Senate Finance Committee. He explained that the deletion of the word "affordable" was a change made in the Senate. As AHFC understood, the rationale of the Senate Finance Committee co-chair was to clarify that subsidiary corporations under AHFC should be involved in the development of all types of housing, not just affordable housing. He characterized it as a housekeeping amendment.

Representative Hannan asked if the amendment deleted the word and inserting another deletion. She asked if that was common. She surmised the intent was to delete the word affordable.

Mr. Gialopsos stated his understanding in order for the next committee of referral - the House floor in this case - to see the changes made by the House Finance Committee, the bracketed language was required in order to show it had been removed by the committee. He explained that if the bill became law, the language would be struck from statute.

Representative Coulombe asked if the state wanted to be involved in unaffordable housing.

Mr. Gialopsos stated his understanding that it was the Senate Finance Committee's intent to clarify that AHFC was involved in the development and financing of all types of

housing. He stated that affordable had a specific connotation with the U.S. Department of Housing and Urban Development that would limit participation to a certain income level. He explained that realistically, AHFC participated in housing at all income levels through mortgages or professionals not constrained by income restrictions. It was AHFC's understanding that the other body wanted to clarify that while AHFC had a mission to provide affordable housing, it was not meant to be limited to that sector.

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Representative Coulombe asked if it was part of the existing statute. She asked for verification that the deletion was something the original bill did not touch.

Mr. Gialopsos agreed. He detailed that Section 2 of the bill would amend AS 18.56.086, which within the AHFC body of laws dealt specifically with corporations, powers, and subsidiaries. He stated it was AHFC's understanding that it was not unusual when a piece of legislation was making a change to a section of law to make other clean up changes to the section.

Representative Coulombe stated it felt almost like a mission change if AHFC was not going to be focused only on affordable housing. She asked if AHFC saw it that way.

Mr. Gialopsos stated his understanding that AHFC had been involved in all levels of housing already. The change was clarifying that the mission was meant to encompass affordable housing and other levels of housing. He deferred to Mr. Butcher for additional details.

BRYAN BUTCHER, CEO, EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION (via teleconference), answered that it applied not to the general mission of the corporation, but to the kinds of subsidiaries the corporation could create. He explained that when it was put into law about 15 years ago, it was specifically to for the creation of an affordable housing subsidiary. He believed it was the Senate's view that removing the word "affordable" would give AHFC flexibility at a later date to potentially create a subsidiary with the agreement of the governor and the legislature that would be a bit broader and beneficially

doing work in housing other than just specifically affordable housing.

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Representative Ortiz stated his understanding that the adoption of the amendment would result in the removal of a substantial fiscal note. He asked if there was an opportunity cost of eliminating the money.

Co-Chair Edgmon replied that he had asked the same question to Mr. Gialopsos during the initial bill presentation the previous week. The answer had been that it would not have that effect. He deferred to Mr. Gialopsos for detail.

Mr. Gialopsos agreed with the statement by Co-Chair Edgmon. He explained that if the amendment was adopted there would not be a general fund request for AHFC for the purpose of capitalizing the fund and there would not be an opportunity cost. The primary purpose of setting up the subsidiary corporation would be to pursue federal dollars and there were no general fund dollars required to pursue the funds.

Representative Josephson asked for verification that at some point an energy independence fund would be needed, but having it now was problematic because it could impact AHFC's bonds. He believed it was the reason there was a recommendation to strike it.

Mr. Gialopsos agreed. There would be a need down the road to have a legislative discussion on what would constitute the funds awarded through the pursuit of federal opportunities. He explained that due to the sequencing of the legislation where the parent corporation would be the fiduciary of a fund that would be managed by a subsidiary with unspecified funds and the lack of certainty combined with some language that led to a waiver of the prudent investor rule, it created cause for concern from the corporation's bond council. He explained that if Amendment 1 was adopted it would not preclude the conversation from a future legislative body, which would be a very reasonable next step expectation based on the award. Additionally, the corporation's parent indentures related to mortgages would be preserved.

Representative Tomaszewski asked if the fiscal note was included in members' packets.

2:00:41 PM

Mr. Gialopsos directed members to OMB component number 110. He detailed that the estimated capital in FY 25 shown at the bottom of the note was \$40 million. The analysis on the second page of the note specifically identified the anticipated \$20 million in unrestricted general funds (UGF). He explained that if the amendment was adopted and the legislation passed, AHFC would issue an updated fiscal note that would reflect a request of up to \$20 million in federal authority and zero dollars in general funds for capitalization. The corporation would retain a request for \$450,000 for operating costs associated with staffing up the corporation.

Co-Chair Foster WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment 1 was ADOPTED.

2:01:55 PM

Representative Coulombe WITHDREW Amendment 2, 33-GHJ074\S.2 (Walsh, 4/20/24) (copy on file).

Representative Josephson WITHDREW Amendment 3, 33-GH1074\S.6 (Walsh, 4/22/24) (copy on file).

Representative Coulombe MOVED to ADOPT Amendment 4, 33-GH1074\S.1 (Dunmire/Walsh, 4/19/24) (copy on file):

Page 2, line 19, following "assistance":  
Insert "at no cost"

Co-Chair Foster OBJECTED for discussion.

Representative Coulombe pointed to page 2, line 19 and explained that the amendment clarified that technical assistance provided by the Alaska Energy Authority (AEA) to municipalities would be done at no cost. She had spoken with the AEA and had been told the agency generally did not charge.

Co-Chair Edgmon thought he agreed with the amendment, but he asked if it would potentially tie AEA's hands down the road if it encountered a situation where there was even a de minimis cost.

CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, stated that the corporation's assumption of the amendment was it would be minimal. The agency had a staff member who would help with the legislation and it would be part of their job function to provide technical assistance. There were several staff doing technical assistance in rural Alaska and on renewables. The agency did not see the amendment being a large ask; AEA provided the technical assistance free of charge already.

Co-Chair Edgmon recognized that AEA did a lot of technical assistance, which he appreciated. He did not want to encounter a situation where there was a cost that prevented the agency from doing the work. He considered the possibility that the amendment was well intentioned but may have unintended consequences.

Mr. Thayer replied that he had not looked at it from that perspective. He had been considering the path and process used presently. He still thought AEA could do the work with existing personnel. He did not see a large cost based on the agency's historic work in urban and rural Alaska.

Mr. Gialopsos appreciated the question. He looked at the language the amendment would comport under Section 3, which directed that AHFC may, in cooperation with AEA, provide technical assistance at no cost to municipalities. He stated it was AHFC's opinion that it could provide technical assistance with no burden to local governments at capacity constraints of their own in order to help lower cost of development. He noted that it was reflected in the fiscal note because there may be increased demand and AHFC wanted to be transparent about what the general fund draw may be in terms of two personnel (one from AHFC and one from AEA).

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Co-Chair Edgmon thought it was a great discussion and he believed they were measuring twice before cutting once. He remarked that it could be interpreted that AHFC provided services without charging anyone. He asked the sponsor for comment.

Representative Coulombe clarified that she had been thinking of rural communities because there were so many small communities without the resources to deal with building codes that needed technical assistance. She stated it was part of the agencies' mission in her eyes to reach out to rural communities in particular to provide technical assistance. She stated that if it drove up the agencies' operations, she still believed it should be part of their mission and operational cost.

Representative Stapp looked at page 2 reading that the corporation may, in cooperation with AEA, provide technical assistance at no cost. He also read it to mean that the corporation may or may not charge. He looked at the amendment as immaterial, but he supported it.

Representative Coulombe viewed the language to mean may provide technical assistance or may not. She remarked that it could be looked at as charging or not charging.

Co-Chair Foster WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment 4 was ADOPTED.

[2:08:37 PM](#)

Representative Coulombe to ADOPT Amendment 5, 33-GH1074\S.4 (Dunmire/Walsh, 4/19/24) (copy on file):

Page 2, line 22:  
Delete", quasi-public, or nonprofit"  
Insert "or private"

Page 3, line 13:  
Delete", quasi-public, or nonprofit"  
Insert "or private"

Co-Chair Foster OBJECTED for discussion.

Representative Coulombe explained the amendment. She relayed that the amendment was not drafted correctly, but she wanted AHFC to speak to what she was attempting to do. She referenced language on page 2, line 22 of the bill that read "establish public, quasi-public, or nonprofit entities." She relayed that the amendment attempted to add "or private" to the list. She remarked that the amendment had instead been drafted to delete quasi-public and

nonprofit, which was not her intent. She asked AHFC if private companies were already in the list. She wondered if she needed to move forward with the amendment.

Mr. Gialopsos stated his understanding that the intent of the amendment was to clarify that AHFC and AEA would support the list of entities including public (i.e., government), quasi-public, nonprofit, and private entities (i.e., for-profit commercial parties) technical assistance. He asked if he was correct.

Representative Coulombe agreed. She asked if the agencies provided technical assistance to private companies.

Mr. Gialopsos answered that the corporation worked with for-profit entities such as capital providers like lenders, contractors, and building owners.

Representative Coulombe WITHDREW Amendment 5 based on the clarifying answer from Mr. Gialopsos.

Representative Coulombe MOVED to ADOPT Amendment 6, 33-GH1074\S.3 (Dunmire/Walsh, 4/19/24):

Page 5, line 4, following "power;":

Insert "or"

Page 5, lines 5 - 10:

Delete all material.

Reletter the following subparagraph accordingly.

Co-Chair Foster OBJECTED for discussion.

Representative Coulombe explained that the amendment pertained to the end of the bill, page 5, lines 5 through 10, which referred to clean transportation including electric vehicles powered by batteries, hydrogen vehicles, plug-in hybrid electric vehicles, and other zero emission vehicles' electric charging infrastructure. She wanted to delete the language because AHFC's mission was housing. She thought clean transportation seemed out of AHFC's scope and she did not want AHFC dealing with "this part of renewables." She thought AEA could handle anything coming down the pike pertaining to that part of a renewable grant.

The amendment would delete the electric vehicle portion of the bill.

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Representative Galvin wanted to hear more from AHFC on the amendment. She stated that when building housing infrastructure, considering how transportation was woven into the project could be very important. She knew there was a lot of recent concern about whether cars had places to plug in and whether sidewalks had been designed appropriately for public transportation.

Mr. Gialopsos responded that AHFC respected the intent of the amendment to attempt to clarify what roles and definitions constitute sustainable energy development. Ultimately, it was the corporation's opinion that the issue was a policy call for the committee. With respect to electric vehicles and charging stations, the corporation would be the administrator through AEA of roughly \$70 million of U.S. Department of Energy funds specifically related to home energy efficiency and home electric appliance rebate dollars. One of the components of the home electrification appliance rebate program included upgrading home panels to be able to accommodate vehicle charging stations and many of the program parameters were income restricted. He stated that for Americans challenged in income, a rebate where an individual had to spend money and receive a portion back may not be as economically attractive. The intent was for a subsidiary corporation to participate by helping provide bridge funding for a homeowner without the means to pay out of pocket to get the work done. There was a potential opportunity cost, but if the amendment passed it would not condemn the home electric appliance rebate program. He reiterated that it was a policy call for the committee.

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Representative Hannan was opposed to the amendment. She reminded the committee the bill was about the green bank subsidiary, not all of AHFC. She highlighted that one of the big components in the development of environmentally friendly green bank facilities was transportation cost. She stated that if transportation was not included in the infrastructure before it was developed, it was very cost prohibitive after the fact. She stated that it did not mean

a person had to have an electric vehicle, but communities needed to be built to accommodate them. She could foresee federal grants that only applied if a development accommodated 20 percent of housing with electric vehicles. She thought that although the amendment was well intentioned, she believed it was important to accommodate electric vehicle infrastructure at the outset.

Co-Chair Edgmon opposed the amendment. He believed the committee had just heard from AHFC that the bill likely had a future iteration in terms of being able to be capitalized and perhaps like the original green bank bill to be a vehicle to leverage private sector capital for clean energy, not limited to housing. He pointed to language in Section 1 of the bill "to create a subsidiary to assist in the finance and sustainable energy development." He remarked that if the amendment passed, the language would need to be amended to reflect that the scope of the entire bill had been narrowed. He relayed that it would risk losing his support for the bill. He had done a lot of research on green banks around the country and their ability to attract millions of dollars in private sector capital, he was somewhat chagrined that the legislature could not capitalize the fund with \$20 million. He understood the realities and the need to get the bill through as a first step, but he did not support limiting what could be done at such an early stage. He found it counterproductive.

[2:18:16 PM](#)

Representative Ortiz associated himself with the comments of the two previous speakers.

Representative Josephson opposed the amendment. He was reminded that AHFC had authority and jurisdiction over HB 4 [from a previous session], which was a small gasline development concept that was still on the books. He pointed out that one could say it had nothing to do with housing. Additionally, he highlighted that the definition was already very broad and included renewables, energy storage batteries, etcetera. He was comfortable with the existing bill language.

Representative Coulombe asked if the subsidiary would have a board or if the AHFC board was in charge of the subsidiary.

Mr. Gialopsos answered that the bill specified that AHFC would be the board of the subsidiary.

Representative Coulombe stressed that her town needed housing and she needed people to be housed. She stated that she had not gotten to a \$100,000 to \$200,000 electric car and charging station at her house. She noted that AHFC was a great resource for the state. She stated that the bill would create a subsidiary that took the same board and diverted it to other areas. She was amenable if it would help house people and weatherize their homes, but she did not support expanding to car batteries and charging stations. She did not want AHFC's attention divided. She wanted its attention on housing. She remarked that she understood now why the word "affordable" had been removed [by an earlier amendment]. She stated that all of the charging stations and infrastructure for electric cars that she and most of her neighbors could not afford made housing very unaffordable.

Co-Chair Edgmon asked for a point of clarification. He noted that Alaska was in a window of being able to qualify for federal money, which may not be available again in the future. He asked if the amendment would potentially limit the agencies' ability to get federal money.

Mr. Thayer replied that looking at the applications AEA was contemplating or had filed, he believed the short answer was no. The longer answer was that if AEA was forced or needed to go back post construction to add electric vehicle charging stations or additional upgrades to a residence it would be much more expensive than doing the work during construction. He shared that as AEA had been implementing the national electric vehicle program, one of the factors in its plan was electrifying low income homes. He explained there were various charging stations, and some were as inexpensive as \$1,500, but it was necessary to be wired for 220 volts and it had to be done during construction. He added that there were electric vehicles on the market that cost \$20,000 to \$25,000, which were reasonable when compared to others. He stated that the country was moving in that direction and it was necessary to prepare for it, especially ensuring that homes, multiplexes, and low income housing had that ability. He noted that there were electric buses in Juneau and Anchorage and electric school buses.

2:23:00 PM

Co-Chair Foster WITHDREW the OBJECTION.

Representative Hannan OBJECTED.

A roll call vote was taken on the motion.

IN FAVOR: Tomaszewski, Cronk, Coulombe, Stapp, Johnson  
OPPOSED: Josephson, Galvin, Hannan, Ortiz, Edgmon, Foster

The MOTION to adopt Amendment 6 FAILED (5/6).

Representative Josephson WITHDREW Amendment 7, 33-GH1074\S.8 (Walsh, 4/22/24) (copy on file).

Co-Chair Foster asked if anyone had any comments or questions on the bill.

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AT EASE

2:25:52 PM

RECONVENED

Representative Stapp read from page 2, lines 22 through 24 of the bill:

(2) support or establish public, quasi-public, or nonprofit entities that provide financial assistance for sustainable energy development projects in the state or delivering energy to the state, including community and low-income lenders and capital providers.

Representative Stapp found the language to be prescriptive and very narrow. He directed his question to Mr. Thayer and asked if it was specific to the types of federal grant applications they were going after. He wondered if the language was adequate or needed to be broadened in the future.

Mr. Thayer responded that many of AEA's applications were for low income and disadvantaged communities. He stated that the particular language would encompass the disadvantaged communities. Many of the federal grants included a term called Justice 40, which ensured that at

least 40 percent of disadvantaged communities were included. He stated that the language was a policy call, and it may have something to do directly with AHFC pertaining to the green bank, but from AEA's perspective the language was needed.

Mr. Gialopsos relayed that AHFC found the specific language to be broad enough. He explained that in addition to supporting or establishing the type of entities it would work with, looking at the entities that would help with sustainable energy development such as community and low income lenders and capital providers, it encompassed private capital providers (i.e., banks, nonprofit credit unions, and other entities).

[2:28:25 PM](#)

Co-Chair Johnson MOVED to REPORT CSHB 154(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

CSHB 154(FIN) was REPORTED out of committee with seven "do pass" recommendations and four "no recommendation" recommendations and with two new fiscal impact notes from the Department of Commerce, Community and Economic Development; one new fiscal impact note from the Department of Revenue; and one new zero impact note from the Department of Administration.

#hb392

HOUSE BILL NO. 392

"An Act relating to education; relating to funding for Internet services for school districts; relating to charter schools; relating to transportation of public school students; relating to correspondence study funding; relating to the base student allocation; relating to funding for reading improvement plans; relating to teacher retention and recruitment incentives; and providing for an effective date."

[2:29:27 PM](#)

REPRESENTATIVE TOM MCKAY, SPONSOR, introduced the bill pertaining to education funding. He reviewed that a

separate piece of education legislation, SB 140, had been vetoed by the governor because he wanted components added to the bill. He stated there had been many legislators who found it difficult to vote to override the governor. Subsequent to that, his office had responded with HB 392 as a solution. He referred to the bill as an improved version of SB 140, which satisfied the expectations and desires of the governor. The bill contained five major components including a Base Student Allocation (BSA) increase of \$680 inside the formula. The bill also included components for charter schools, home schooling, pupil transportation, and the Alaska Reads Act. He referred to the bill as the veto recovery act.

Representative McKay read the sponsor statement (copy on file):

In the ever-evolving educational landscape of Alaska, the importance of supporting our students, educators, and schools has never been more critical. House Bill 392, introduced by the House Resources Committee, is a comprehensive piece of legislation designed to address several key areas in our educational system. Alaska currently ranks near the bottom of educational outcomes in the US, and we owe it to our kids and parents to come up with solutions and educational options. This bill addresses multiple facets of our states education system, including public school funding, charter schools, and correspondence programs. House Bill 392 is a testament to Alaska's commitment to its future generations. By addressing the pressing needs of our educational system through comprehensive funding and support measures, we are not only investing in the educational success of our students but also in the economic and social well-being of our state. As the chair of the House Resources Committee and de-facto sponsor of HB 392, I urge my colleagues in the legislature to support this bill, understanding that the benefits it brings will resonate throughout our communities, laying a stronger foundation for the future of education in Alaska.

[2:33:57 PM](#)

TREVOR JEPSEN, STAFF, REPRESENTATIVE TOM MCKAY, introduced a PowerPoint presentation titled "HB 392 - Alaska Education

Funding: House Resources Committee Bill" (copy on file). He began on slide 2 with prepared remarks:

Alaska currently and historically has lagged behind in education outcomes when compared to the rest of the U.S., consistently ranking in the bottom five states for education NAEP, which is the National Assessment of Educational Progress, often called the nation's report card, which is the largest nationally representative and continuing assessment of what students in public and private schools in the United States know and are able to do in various subjects. According to research by the Organization for Economic Cooperation and Development (OECD), the importance of education is at an all-time high. With technological progress swiftly eliminating jobs that require fewer skills, the ramifications of a sub-par education will significantly impact today's youth and their future socio-economic status.

With roughly 50 million students currently attending public schools across the U.S., education was not just about acquiring knowledge. It's a pathway to job prospects, economic security, and autonomy; however, there's a varying degree of readiness across states when it comes to equipping the future workforce for success. Some states are leading the charge, while others are coming up short, and unfortunately Alaska is currently in the latter category and falling behind. HB 392 represents an education omnibus package that is in the best interest of our students, educators, and the future of our state.

[2:35:40 PM](#)

Mr. Jepsen turned to slide 3 and relayed that the BSA was the first item addressed by the bill. The BSA was the dollar amount multiplied by a district's adjusted average daily membership (ADM) and the education foundation formula when calculating projected basic need funding. He provided prepared remarks on the slide:

Rampant inflation over the last few years including roughly 5 percent in 2021 and a staggering 8 percent in 2022 justifies a relatively significant increase to the base student allocation as the cost of everything has gone up for districts. In recent years the state

has relied more on one-time funding outside of the formula, including \$30 million in FY 20, \$57 million in FY 23, and roughly \$88 million in FY 24. While this has helped to address the issue, continued reliance on one-time spending does not provide the best level of stability for districts when crafting their budgets.

HB 392 proposes a \$680 increase to the BSA, from \$5,960 to \$6,640, representing a roughly 11.5 percent increase. An increase of \$680 also represents the largest one-year increase to the BSA in the history of the education foundation formula.

Mr. Jepsen moved to public charter schools as the second aspect of the bill (slide 2) with prepared remarks:

Charter schools represent a bright spot in our education system in Alaska. Charter schools are public schools and they represent a form of public school choice. Alaska charter schools were recently ranked number one in the nation by a Harvard study, the student test scores in reading and math being 32.1 percent of the standard deviation higher than the national average for all students. One standard deviation represents being roughly three years ahead, so on average, Alaska charter school students test a year ahead of their peers nationwide.

To give a little more context on our state's charter school system, we'll go over some numbers regarding public charter schools in Alaska. The state currently has roughly 130,000 public school students and over 500 schools. As of March 19, 2024, 6,758 were in public charter schools and 30 of those 500 schools were public charter schools. Currently, there are roughly 975 students on charter school waitlists statewide with the vast majority of those students being in Anchorage and the Mat-Su, which are the largest charter school hubs. It's worth noting that Alaska's largest charter school, Alaska Family Partnership, recently lost its charter, resulting in the number of charter school students and waitlist students decreasing from those numbers previously quoted, and while this is purely anecdotal, we've also heard that due to the lack of moving up on the waitlist, many families give up and stop applying for

public charter school after a few years, which also leads to a decline in students on the waitlist.

Parents want more options for public schools and in a recent national poll done, 80 percent of parents wanted more options for their public schools. Alaska's public charter school system represents that. HB 392 introduces a new pathway for charter school termination appeals, allows for the State Board of Education to authorize new charter schools, and introduces a state charter school coordinator position that would be focused on providing support to both potential and currently operating charter schools.

[2:39:02 PM](#)

Mr. Jepsen discussed correspondence programs on slide 5 with prepared remarks:

The State of Alaska has over 30 correspondence programs when counting both statewide and local programs with roughly 20,000 students enrolled in correspondence programs. In the current statute, the state applies a factor of 0.9, the ADM of a student of a district's correspondence students when calculating the district's total adjusted ADM. HB 392 would replace that 0.9 factor with the special needs factor, which is currently 1.2. For example, if a district had 10 correspondence students currently, that would be multiplied by the 0.9 percent factor, resulting in only 9 students being added to their adjusted ADM. If we use the 1.2 factor that would result in 1.2 students being adjusted to the average ADM, which results in an increase in funding for districts.

Mr. Jepsen discussed the Alaska Reads Act on slide 6 with prepared remarks:

The Alaska Reads Act was a landmark piece of legislation passed in the 32<sup>nd</sup> legislature and signed by Governor Dunleavy in June 2022. The bill focused on advancing reading levels for K-3 students and was based on programs nationwide that have had a proven success record. HB 392 puts the unfunded mandate criticism of the Reads Act to bed by providing \$180 per K-3 student regardless of their reading level and an additional \$100 to students in Title One schools to

help fund reading improvement grants. A budget floor amendment with this same policy was passed in the House for one-time funding, which mirrors this funding system here and HB 392 would be putting that funding level in statute.

[2:40:44 PM](#)

Mr. Jepsen addressed pupil transportation funding on slide 7 with prepared remarks:

HB 392 also updates transportation funding for students. These funds only apply to public school students, not correspondence school students. The last increase to transportation funding was FY 13 and HB 392 represents a roughly 18 percent increase in transportation funding across the board.

Mr. Jepsen concluded the presentation.

Co-Chair Foster thanked the presenter. He stated there had been substantial discussion over the education bill that had previously come before the committee and members were all familiar with the issues. He was hoping to get the bill and the next two bills before the committee during the meeting. He would take questions but noted that the meeting needed to conclude by 3:30 p.m.

[2:42:08 PM](#)

Representative Galvin appreciated all of the work in the bill. She stated that a \$680 increase to the BSA was the same as the prior year. She asked if there had been any discussion about adding inflation to the number.

Representative McKay recalled that the number had started at \$340 in the House Education Committee at the beginning of the current session and it had doubled to \$680.

Representative Galvin stated her understanding that it had not come from the \$680 the previous year, but the doubling of \$340. She looked at the proposed \$180 increase for the Alaska Reads Act and an additional \$100 for K-3. She asked what the students would get for that in terms of reading support.

Mr. Jepsen responded that they were hoping the additional funding would be used for individual reading plans for students; however, there was nothing in statute that would require districts to use the money for the specific purpose.

Representative Galvin presumed the money would go into identifying students with extra needs. She thought \$100 would be an hour of extra help in a year. She asked if her understanding was accurate.

Mr. Jepsen responded that the previous iteration of the bill had \$500 per student based on their reading level, which they thought provided incentive for districts to classify more students as reading deficient. The current bill included \$180 for K-3 students regardless of their reading level. The additional \$100 for Title One schools identified that about 40 percent of lower income students on free or reduced lunch had poorer education outcomes. There was additional funding for Title One schools at the federal level and the bill applied the same principle at the state level.

Representative Galvin asked about pupil transportation pertaining to charter school and open optional school students.

Mr. Jepsen answered that the transportation funding was based on all of the public school students and did not account for correspondence students. He stated that charter school students were public school students; therefore, districts received funding for those students assuming that the charter school was not also a correspondence program.

[2:46:52 PM](#)

Representative Galvin remarked that the presentation had addressed a lot of the positives on charter schools and negatives on neighborhood schools. She clarified that there had never been a waitlist in Anchorage at the Alaska Family Partnership that she was aware of. She shared that her family had used the program. She highlighted that many families in Anchorage signed up for 10 [charter schools] at one time and she wondered if the waitlist referenced by Mr. Jepsen separated out families who were on more than one waitlist.

Mr. Jepsen responded that he could not separate the information out that had been provided at the district level. He explained that the numbers were from the districts and how they were counted was district dependent. The school board for the Anchorage School District had confirmed that students could be listed on waitlists for multiple schools. He stated that within the 975 total statewide, it was highly likely there were duplicates on the list.

Representative Galvin appreciated the clarity because there was a sense that everyone was waiting on a charter and multiple speakers on the House floor had stated the number was in the 1000s and the committee had now learned that 975 might not be right either. She stated there were many unique programs in many of Alaska's schools and she knew the bill sponsor was familiar with that. She commented there was currently a difficult time with some of the data around school achievement because unfortunately approximately 14 percent of students were taking the test. She highlighted that the datasets were not as full as people would like them to be if people were going to say that one school is much more superior than another. She wanted people to be cognizant of the fact because it was important to be mindful of the many good works happening in neighborhood schools as well when thinking about how to allocate resources.

Co-Chair Foster recognized Representatives Rebecca Himschoot and Andi Story in the audience.

Representative Hannan asked if the bill sponsor had contemplated an amendment to the bill that would ensure correspondence studies would be secured for the coming year in the wake of the recent superior court decision on correspondence schools.

Representative McKay replied not completely. He stated he had been struggling with what direction to take because the court decision was so recent. He relayed that the bill was crafted prior to the court decision. He remarked that the bill could be amended depending on what happened with the court case, but he did not know whether that would be a month or a year from now. He knew there was an amendment resolution coming out of House Judiciary and some other proposals in the building forthcoming to deal with the

topic, so he had left it as is for now to avoid further confusing the matter.

2:51:23 PM

Mr. Jepsen stated it was their understanding of the court ruling that it was the allotments that were impacted. The correspondence funding went directly to districts and districts delineated how they wanted to spend the funding. He remarked that the districts could still receive correspondence school funding, it was the distribution of allotments by districts that was struck down in the court decision. He relayed that if the bill passed in its current form, the 1.2 factor would be multiplied by the ADM, the money would go to the districts, and they would operate their correspondence programs. Under the court ruling, districts could not give out allotments to parents.

Representative Hannan remarked that Mr. Jepsen had started the presentation by saying that Alaska had historically lagged in performance. She wondered if he had correlated the NAEP data with BSA funding levels across the state in a timeline. She asked what Mr. Jepsen deemed the historic point to be when using the word "historically."

Mr. Jepsen answered that between FY 03 and FY 23 the state lost about 4,000 full-time equivalent students down to 128,000. There had been a funding increase over the same period from \$643 million to about \$1.2 billion, representing an 85 percent increase in state spending, which outpaced inflation at 65 percent. He relayed that over the 20-year period, Alaska's NAEP scores dropped across the board. The state had always been in the 45 to 50 level and despite the funding increase outpacing inflation, there were still drops in student outcomes.

Representative Hannan asked if the sponsor's office had done accounting for the cost of delivery of goods and services in Alaska. She highlighted the expense of healthcare and asked if the sponsor's office had correlated the data with any other cost increases districts may have incurred such as energy or healthcare costs.

Mr. Jepsen answered that the inflation factor used was from the Department of Commerce. The sponsor's office had not done the study, they had used the federal government's inflation rate.

2:54:01 PM

Representative Josephson believed the numbers provided were accurate in relation to the 4<sup>th</sup> grade NAEP score but inaccurate in relation to the 8<sup>th</sup> grade score. He asked if he was correct that Alaska students' scores improved dramatically between fourth and eighth grade.

Mr. Jepsen answered that at the 4<sup>th</sup> grade level the drop in math and reading scores was about -7 points. At the 8<sup>th</sup> grade level there was a drop of -3 in reading and -9 in math. He stated that the trend of a drop was correct. There was less of a drop with the 8<sup>th</sup> grade students compared to 4<sup>th</sup> grade students.

Representative Josephson asked where it put Alaska at the 8<sup>th</sup> grade level compared to the other 49 states.

Mr. Jepsen responded that he did not have the exact number but it was somewhere between 45 and 50.

Representative Josephson stated the proposal on charter schools would for the first time ever allow the Board of Education - after a school district had decided against it - to insist on the approval of a charter school.

Mr. Jepsen answered affirmatively. He confirmed it would be the first time the state would allow state authorized charter schools. He relayed that Alaska was one of five states that allowed only the local education agency to authorize charter schools. He elaborated that most states allowed multiple avenues for charter schools to be authorized.

Representative Josephson understood that the cost to build out a school were in the low millions of dollars. He considered a scenario where a school district, through its elected representatives, said that they did not want a new charter school. In noted that in the case of Anchorage, "they claim that there are just 300 applicants for charter schools." He asked if he was accurate that the state could tell a district it would have the charter school and pay for it. He asked for verification that under the bill, the state did not contribute anything to the cost of starting or standing up the charter school.

Mr. Jepsen stated his understanding that the state would use some of its funds to stand up the charter school. The bill would allow the charter to engage with another district and there could potentially be a charter school in Anchorage chartered through a different school district. He believed that process would be used prior to going to the State Board of Education.

[2:57:35 PM](#)

Representative Josephson stated that the bill proposed to use the special needs factor for correspondence schools. There was some dispute about whether the delivery of allocations was enjoined. He stated that some people said there was no judgement therefore there was no injunction. He believed the attorney general would tell school districts not to worry about it and to keep delivering the allocations. He asked why the legislature would pass a bill increasing correspondence funding when the program had been deemed illegal by a Governor Dunleavy appointed superior court judge.

Representative McKay that it was a good question. He suggested the committee would need to continue its legislative process. He stated that the outcome of the court case was unknown. He stated that ultimately a stronger correspondence school program may come out of the court case. He stated it was impossible to legislate on a court case outcome that was unknown.

Co-Chair Foster clarified that the bill had been introduced before the court ruling and the bill's correspondence language did not foresee the court outcome. He shared it was his intent to hear the bill and a separate correspondence bill in order to start the conversation and have something to work off of and make adjustments to if needed.

[2:59:36 PM](#)

Representative Ortiz asked if the primary driver of the bill was to try to address improving student outcomes.

Representative McKay responded that the bill was responding to the education community that promised a BSA increase

would improve education outcomes. He was betting on them delivering on that promise.

Representative Ortiz asked what in the bill would best deliver the performance Representative McKay was hoping for. He what the influential part of the bill was that would bring better outcomes.

Representative McKay responded that he was not an education expert, but the education experts statewide told the legislature that a BSA increase would result in improved outcomes. He stated he would have to take education experts at their word and hold them to the promise.

Representative Ortiz asked for verification that Representative McKay was saying the BSA was the biggest issue to bring about better outcomes.

Representative McKay responded that the BSA increase would be the most impactful for the largest number of students according to what the education community had promised.

Representative Ortiz read from the first bullet point on slide three: "Rampant inflation in recent years justifies a significant BSA increase to allow districts security when crafting budgets." However, he referenced an answer by Mr. Jepsen indicating that when looking at total funding, the state had been outstripping the impacts of inflation over recent years. He asked which it was. He asked if the issue was a lack of funding or something else.

Mr. Jepsen answered it was the reason HB 392 had been crafted as an omnibus bill. The sponsor's office believed education funding needed to be increased and also recognized that Alaska's charter and correspondence schools were successful education programs. They viewed the bill as an all-in-one to increase education funding, while propping up correspondence programs, and increasing the number of charter schools as requested by parents. The idea of the bill was there was not one silver bullet and the situation should be attacked from a multifront facet.

Co-Chair Foster recognized Representative Maxine Dibert in the room.

[3:03:54 PM](#)

Co-Chair Edgmon thought the bill was very similar to the bill vetoed by the governor with some changes around the edges. He thought it sounded like the difference was the Board of Education control. He stated that the governor had given two passionate press conferences with animated and emphatic comments that he would not put more money into an education system that was failing. He read an excerpt from Governor Dunleavy's letter on the vetoes:

"While I support the basic idea of education funding reform, this bill fails to address the innovations necessary to allow Alaskan students to excel. Without a comprehensive plan to address education issues in the state, simply increasing funding to the current system does nothing to increase educational outcomes and potential of our youth."

Co-Chair Edgmon stated he had heard Representative McKay remark that he believed the governor may be more amenable not vetoing the bill this time. He asked why the governor would suddenly accept the bill without any comprehensive reform measures for the state's brick and mortar school population, which accounted for 80 percent of public school students. He asked if the bill missed a step by not including any comprehensive reform for the largest segment of the student population. He reiterated that after the governor had vetoed the other legislation [SB 140] he had adamantly stated he would not go there and would turn his attention to energy. He asked what had changed.

[3:06:42 PM](#)

Representative McKay responded that he could not speak for the governor. He was hoping the governor would comment on the bill after the current presentation. He stated that there had been seven components in SB 140 and there were five in HB 392. One of the components had been removed because it was included in separate legislation referred to as the "BAG bill" [broadband assistance grants]. Additionally, the teacher retention bonus component was not included in HB 392. He listed the five principles of HB 392 as the BSA increase, charter schools, home schooling, pupil transportation, and the Alaska Reads Act. He relayed that based on conversations after the veto, he had every reason to believe that the governor was supportive of HB 392 and would sign it into law.

Co-Chair Edgmon appreciated the response. He understood Representative McKay could not speak for the governor, nor could any other legislator. He hoped the committee had the opportunity to dig into the topic further. He remarked that the legislature had known little when it came to charter schools because the legislation creating the program was about 30 years old. He elaborated that of the ~140 schools, 31 were charter schools, which represented about 5 percent of the overall student population. He noted that the legislature had not really focused on charter schools, and it should increase its focus. He also thought the legislature should focus more on correspondence as well. He referenced the other 80 percent of the public school population and stated that legislators heard constantly about outcomes, failing performance, and low graduation rates. He stated that the comprehensive reforms needed to take place there as well. He did not see the reforms in the current bill. He understood the provisions in the bill and supported them by and large. He was concerned about sending a bill forward that may get vetoed.

Representative McKay thanked Co-Chair Edgmon and would have more answers to the questions if the bill had another hearing.

Co-Chair Foster noted the meeting had a hard stop in 20 minutes due to a meeting with the governor to discuss end of session priorities including education and energy.

Co-Chair Johnson appreciated the opportunity to hear the bill. She thanked Representative McKay for bringing the legislation forward with a goal of making it an education bill that the legislature could vote on that included a BSA increase and was something the governor could agree to. She stated that charter schools or any type of school choice meant more parental involvement, which she believed was a good thing and it meant there were more people involved with children's education. She stated that people talked about charter schools like it was a forever choice, but she had children she had home schooled, and children who attended charter and public schools. She highlighted there were no high school charter schools in Alaska, and she believed if there were charter schools providing innovative education, "that rising tide floated every high school student." She stated the problem was not going to go away and the committee had heard the topics in the bill previously. She stated the committee had passed the bill

other than the charter school component in the past. She stated they could continue to talk about it, but at some point she thought the committee should perhaps move it along and let it go through the process. She stated that the bill included the one component the governor had requested on charter schools. She stated the governor was a proponent of school choice. She understood there was a local control concern, but from her perspective, the legislature needed to somehow address the fact that Alaska's education outcomes were so close to the bottom. She wondered if the committee was ready to take action by moving a bill forward or if they would continue to talk and talk about it. She asked if the legislature was going to put education aside because it required another round of work. She remarked that Representative McKay had done the work by bringing the bill forward. She appreciated the work because she thought it would have been easy for the legislature to say it was not going to do any more. She stated the problem did not go away and unfortunately it was necessary to address the things over and over.

[3:13:34 PM](#)

Co-Chair Foster noted the committee may come back following the meeting with the governor.

Representative Coulombe thanked Representative McKay for his tenacity on the topic. She asked if districts currently had discretion over the correspondence funding from the state. She asked if districts had to spend everything they received on correspondence kids or a portion.

Mr. Jepsen answered that correspondence funding was given directly to districts with discretion to spend however they wanted. The bill sponsor's office had found in their research that most of the correspondence programs were spending 50 percent on student allotments and the remainder of the funding was used for overhead costs related to administering correspondence programs. He relayed that increasing the factor from 0.9 to 1.2 would mean more money for districts correspondence programs and overhead costs.

Representative Coulombe remarked that the charter school language looked different from past iterations. She asked for verification that under the bill a charter school could be approved by the State Board of Education, but the school did not necessarily have to be accepted by its local

district. She asked if the local district did not want the school, the school could shop around to see if a district wanted to manage them.

Mr. Jepsen agreed that a potential charter school could engage in discussion and negotiations with other districts for their charter.

Representative Coulombe asked if it mattered whether a wait list for charter schools was 5 or 500. She thought the fact that there was a waitlist for families wanting to be in a charter school was the point and that the state needed to accommodate that with either a building expansion or more charter schools. She asked if the waitlist number was important.

Mr. Jepsen answered that the waitlist was useful to show there was a want for more charter schools. He stated that even in districts with zero students on the waitlist, allowing parents to get together and start a charter school represented the ultimate form of local control. The idea was to encourage that as much as possible.

[3:17:11 PM](#)

Representative Galvin knew the sponsor had heard from many superintendents on what it would take to deliver education. She referenced Co-Chair Edgmon's comments on building a successful system in the state's brick and mortar schools that housed 80 percent of the student population in the state. She asked what Representative McKay was hearing from superintendents and whether they thought the \$680 [BSA increase] was sufficient.

Representative McKay relayed that he sat on the House Education Committee and the committee heard a lot of testimony from many different school officials. He thought it was likely not a secret that the education community always wanted more. He stated that the \$680 was a significant increase that was in the formula and ongoing assuming the governor would sign it. He emphasized that it was the largest single increase in state history. He remarked that it was not up to him to judge what was too much or not enough. He shared that he and all of his kids had gone to public schools. He recognized that one of the pillars that made the U.S. a superpower was its public school system. He stated that in order to be a strong

country and state, the public education system could not be neglected; it would be necessary to put some focus on it.

Representative Galvin appreciated the bill sponsor's work. She spoke to the importance of small class sizes so that families could be engaged by teachers. She recognized that Alaska's class sizes had been growing. She believed the \$680 increase would make a dent in the problem. She referenced the importance of rigorous and relevant curriculum. She looked forward to seeing how the bill moved down the road.

Representative Tomaszewski thanked the sponsor for the bill. He thought it almost felt like there were committee members who did not want the bill in committee, which he found mind boggling and did not think it was the best look for some. He asked Mr. Jepsen to restate the historical math and reading statistics comparing current numbers to 20 years ago.

[3:21:06 PM](#)

Mr. Jepsen answered that NAEP 4th grade reading scores dropped nearly a grade level from FY 03 to FY 23. He stated that 4<sup>th</sup> grade math dropped by -7 points and 8<sup>th</sup> grade reading dropped by -3 points. Additionally, 8<sup>th</sup> grade math dropped by -9 points. He added that total funding had increased during the 20 year period and had outpaced inflation.

Representative Tomaszewski asked how many scored above proficiency.

Mr. Jepsen had the numbers and could provide them to the committee.

Representative Josephson felt like it almost sounded like people got satisfaction talking about how much public schools were struggling. He stated that the numbers the committee had been given were that the vast percentage of Alaskan kids were in public schools and would be in the future. He stated they could call them all public charter schools, but the students were the same great Alaskan kids tomorrow that they were today. He was frustrated by the tone that seemed to take some satisfaction out of the struggles of public schools.

[3:22:53 PM](#)

Co-Chair Foster thanked the bill sponsor and asked for any closing comments.

Representative McKay thanked the committee. He did not believe any legislator wanted to go home empty handed in regards to education.

HB 392 was HEARD and HELD in committee for further consideration.

[3:23:54 PM](#)

AT EASE

[3:24:54 PM](#)

RECONVENED

#sb52

CS FOR SENATE BILL NO. 52 (FIN)

"An Act relating to education; requiring the Department of Education and Early Development to provide information relating to public schools on an Internet website; relating to information on the post-secondary education, career path, and residency of graduates from high schools in the state; relating to transportation of students; relating to state funding for districts operating residential schools; increasing the base student allocation; and providing for an effective date."

[3:25:03 PM](#)

Co-Chair Foster welcomed Senator Loki Tobin.

SENATOR LOKI TOBIN, SPONSOR, provided an explanation of the bill. She communicated that the bill was the top priority of the Senate majority. She shared that the Senate majority caucus had galvanized around the idea that Alaska's schools were struggling and they had heard from teachers, superintendents, parents, and kids that there was a crisis in the public school system. She had been tasked as the chair of the Senate Education Committee to come up with an approach that would help stabilize the system. The legislation had been crafted based on ample public hearings

that took place prior to putting language for the bill together.

Senator Tobin relayed that the Senate Education Committee had listened to individuals who attend neighborhood schools, participants in correspondence programs, educators in charter schools, and alternative school programs (e.g., Russian and Japanese immersion programs in Anchorage). The committee had also heard from schools on the state's military bases. She elaborated that some of the schools had closures due to ongoing maintenance issues that came from the earthquake [in 2018]. The committee had also heard from residential programs such as the one in Nenana, which was one of the best programs. The committee had heard overwhelmingly that a decade of flat funding had eroded the purchasing power of the BSA. She referenced a memorandum in members' bill packets dated January 23, 2023, from the Legislative Finance Division showcasing how flat funding had reduced schools' purchasing power. She relayed that if the legislature were to try to ensure that schools had the same purchasing power from 2015, it would need to increase the BSA by \$1,348. After listening to local school communities, the Senate Education Committee realized the most effective, efficient, and equitable way to help correspondence programs, charter schools, alternative schools, and neighborhood schools was to increase the BSA.

Senator Tobin relayed that the first bill out of the Senate Education Committee had done one thing, to increase the BSA by \$1,000. She stated that the BSA was in statute and was a policy decision the legislature made to fulfill its obligation to fulfill Article 7, Section 2 of the Alaska Constitution, which directed the legislature to maintain a system of public schools. The legislature did so by adequately funding public schools. She highlighted the education was not a business. She elaborated that education was about making sure there were capable and competent citizens, people who would serve in the legislature, start small businesses, pick up communities' trash, and make sure the lights turn on. She stressed the importance of investing in the system to make those citizens stay in and contribute to Alaska.

Senator Tobin shared that the Senate Education Committee had heard public testimony on the bill after its introduction and the committee heard from a multitude of stakeholders including students who attend all of the

different systems of public schools including correspondence programs, charter school parents, brick and mortar parents, educators, superintendents, and locally elected school boards. She emphasized that those who were closest to the kids in the state knew what was best for them. She stressed it was local control at its finest. The committee understood that the best way to serve communities and the education system was to invest in systems of local control.

Senator Tobin relayed that the current version of the bill reflected changes made (in response to public testimony) by the Senate Education Committee and in the Senate Finance Committee. The first part was a data dashboard, which she believed would result in better outcomes for all students. The data dashboard would help get information into the hands of parents to understand what was happening in their local school (i.e., charter, correspondence, or neighborhood school). The bill section directed the Department of Labor and Workforce Development (DLWD) to collaborate with the Department of Education and Early Development (DEED) to produce a report for every graduating class for up to 20 years after they graduate.

Senator Tobin highlighted a copy of the Alaska Trends magazine [published by DLWD] showing what happened to the class of 2005. The document included information on whether the former students were still in Alaska, if they were opening up small businesses, working in state government, and helping to contribute to society. Through the public process on the bill, legislators had learned that the NAEP score was a single point in time assessment that did not track student performance or indicate where students were headed. The score only indicated how students who opted into taking the test were doing. She remarked that when there was a landslide that killed classmates, a student would not perform that well on one single test assessment.

Senator Tobin relayed that there had also been some amendments to the BSA in the bill. First, the Senate Education Committee added three years of funding: \$1,000 in year one, \$348 in year two to meet the inflation adjustment, and a third year that would inflation proof the BSA. She explained that the BSA was not part of the adjusted base that went forth each year, instead it remained flat, which meant schools had to do more with less every year. The goal had been to solve that problem. The

Senate Finance Committee had removed the funding in the second and third years. Additionally, Senate Finance added pupil transportation. She stressed that Alaska was experiencing the highest rate in chronic absenteeism it had ever seen at an increase of 86 percent. She stressed the importance of "getting those butts in chairs." She relayed that the bill also included funding for residential school programs because they were having their purchasing power eroded by inflation.

Senator Tobin shared that her father was on his way to Juneau [for legislative skits]. She detailed that her father had talked to the head of TSA in Nome on his way to Juneau and had learned that the man's kid who had attended Nome public school had just gotten into Harvard. She relayed that earlier in the year she had told the story of one her classmate's kids from Nome who was singing at Carnegie Hall. She emphasized there were kids who were doing incredible things in Alaska. She shared that she was a graduate of Alaska's public school system. She underscored that Alaska's students were not failing, they were doing incredible things and teachers were doing incredible things with less and less resources in their classrooms. The bill was an investment in the state's schools and was a reminder that educators would do more incredible things and unlock potential with more resources. She encouraged the committee to consider the bill as it moved forward in the process of determining what an end of session education package may look like. She believed it did all of the things legislators wanted it to do including enshrining local control and put the resources in the hands of local decision makers. Additionally, the bill told kids that legislators believed in their potential and were willing to invest in it. She stressed that kids were not a business, they were the state's future.

[3:33:42 PM](#)

AT EASE

[3:33:57 PM](#)

RECONVENED

Co-Chair Foster recognized Senator Tobin's father and Brandy and Wayne Arrington whose son just got into Harvard.

Co-Chair Foster RECESSED the meeting to 8:00 a.m. the following day to continue with SB 52 and another piece of

legislation pertaining to correspondence programs [HB 139].  
[See separate minutes dated 4/26/24 8:00 a.m. for detail.]

3:35:01 PM

RECESSED